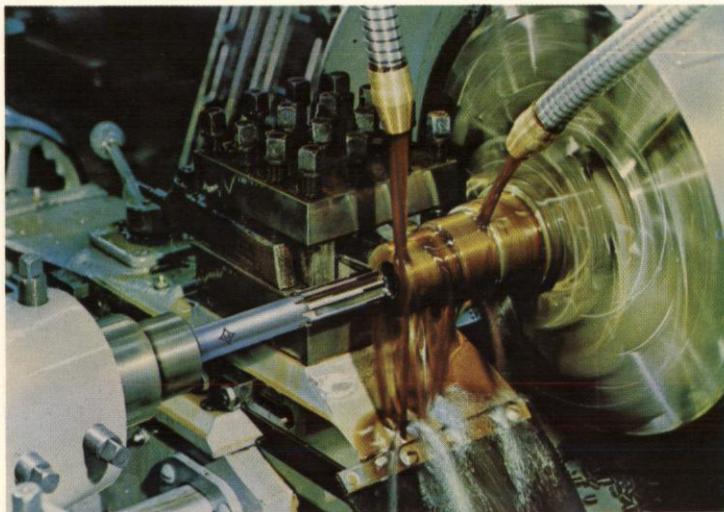


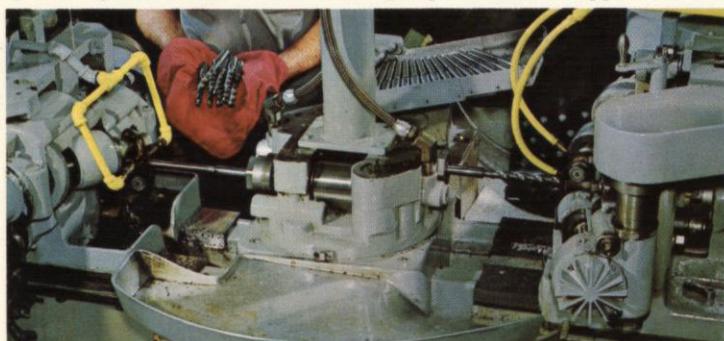
Acme-Cleveland Corporation came into being October 25, 1968 when The National Acme Company and The Cleveland Twist Drill Company combined. The result is a major resource for production systems, know-how, tools, and automated machines which increase efficiency and reduce costs. Virtually every product manufactured by industry, from surgical needles to automobiles to spacecraft, requires products such as we design, produce and market throughout the free world.

Acme-Cleveland Corporation Annual Report-1968

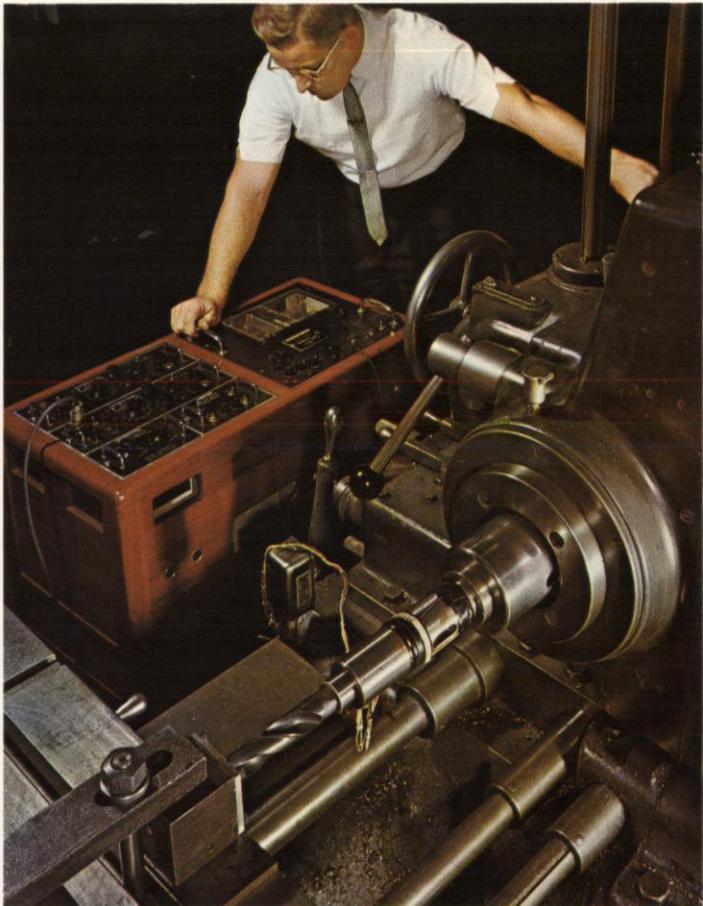
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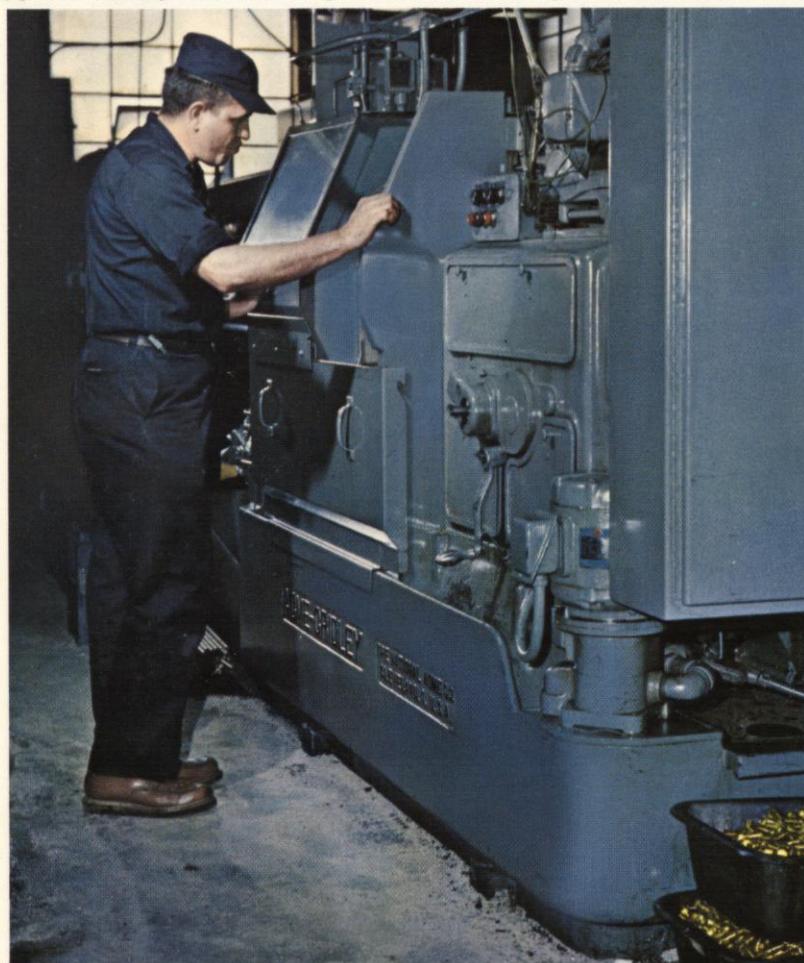
Cleveland Twist Drill is one of the nation's largest producers of quality cutting tools. Shown here is a high-speed carbide tipped reamer.



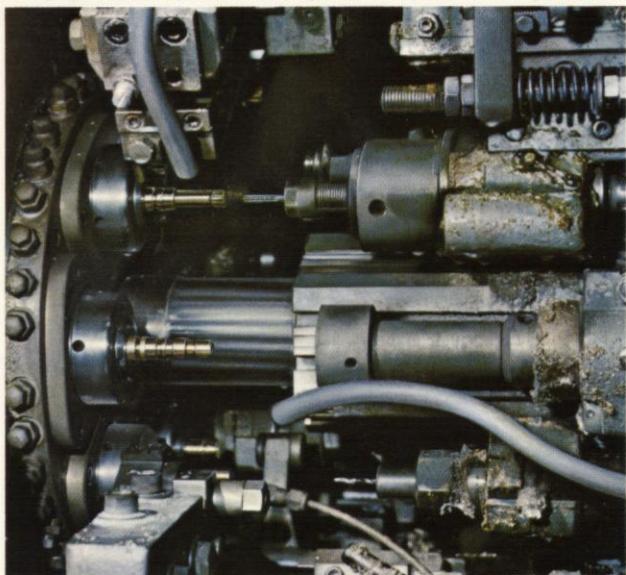
The Cleveland Twist Drill product line encompasses 40,000 sizes and types of cutting tools including drills, end mills, taps and tool bits.



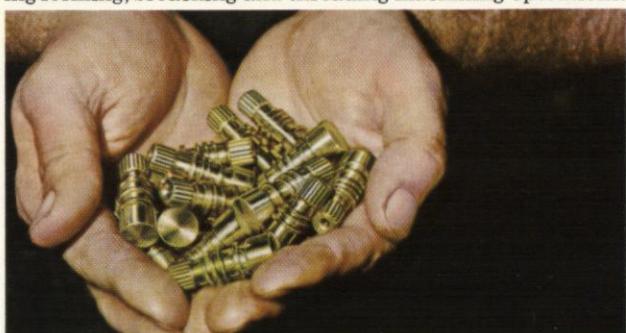
Research is vital to cutting tool development. Recording equipment and strain gages test torsional strength of a newly developed drill.



Automated Acme-Gridley six and eight-spindle machines can work 20 or more tools to perform a like number of machining operations in just seconds.



Tooling zone of Acme-Gridley six-spindle bar machine showing forming, broaching and threading machining operations.



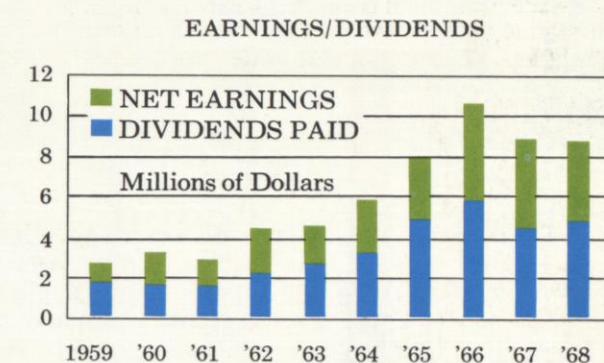
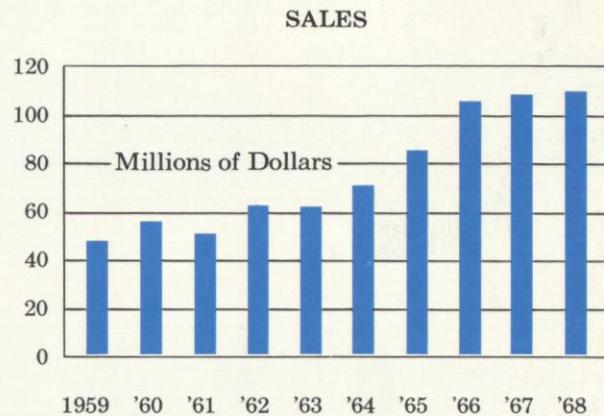
Programmed production of parts can be performed on Acme-Gridleys at speeds of up to 3600 pieces an hour.

ACME-CLEVELAND CORPORATION

FINANCIAL HIGHLIGHTS

	1968	1967
Net Sales	\$109,390,676	\$108,470,330
Net Income Before Federal Tax .	\$ 17,629,824	\$ 17,304,475
% of Net Sales	16.1%	15.9%
Net Income After Federal Tax .	\$ 8,850,442	\$ 8,997,963
% of Net Sales	8.1%	8.3%
Net Income Per Share (Average Shares Outstanding)	\$ 2.22	\$ 2.25
Net Income Per Share (Shares Outstanding at Year-end) . . .	\$ 2.31	\$ 2.25
Dividends Paid	\$ 4,941,590	\$ 4,514,617
Expenditures for Property, Plant and Equipment	\$ 6,468,505	\$ 6,517,241
Depreciation	\$ 3,276,479	\$ 2,827,291
Total Property, Plant and Equipment — Net	\$ 25,886,891	\$ 22,999,108
Shareholders' Equity	\$ 64,801,836	\$ 66,403,215
Per Share	\$ 16.91	\$ 16.57
Average Number of Shares Outstanding	3,983,985	4,004,908
Shares Outstanding at Year-end .	3,832,642	4,006,384
Number of Employees — Year-end	5,414	5,383

All figures in this report are combined to reflect the pooling of interests merger of Cleveland Twist Drill and National Acme. 1968 and 1967 figures are for the 12 months ended December 31, except as described in Note A to the Consolidated Financial Statements.



ANNUAL MEETING OF SHAREHOLDERS

will be held on March 27, 1969. Shareholders as of February 10, 1969, the record date for the determination of voting power at the meeting, will be entitled to vote. The notice, proxy statements, and proxy will be mailed to shareholders on or about February 24, 1969.

R. W. Gillespie, Secretary



Raymond E. Channock

Arthur S. Armstrong

REPORT TO SHAREHOLDERS

Acme-Cleveland Corporation came into being October 25, 1968 when The National Acme Company and The Cleveland Twist Drill Company combined. The result is a major resource for production systems, know-how, tools, and automated machines which increase efficiency and reduce costs. Virtually every product manufactured by industry, from surgical needles to automobiles to spacecraft, requires products such as we design, produce and market throughout the free world.

SALES of this new organization for the year ended December 31, 1968 totaled \$109,390,676 (\$108,470,330 in 1967). NET INCOME AFTER TAXES in 1968 amounted to \$8,850,442, equal to \$2.22 per share on the average number of shares outstanding (3,983,985) or \$2.31 per share based on the 3,832,642 shares outstanding at year-end. In 1967, the two companies earned a total of \$8,997,963, equal to \$2.25 a share. Net income in 1968 was reduced \$821,300 by the Federal surtax on earnings.

Net income in 1968 amounted to 8.1 per cent of net sales and a return of 13.7 per cent on shareholders' equity. These figures compare with 8.3 per cent and 13.6 per cent respectively in 1967.

We consider 1968 results good, especially in the light of adverse national economic influences. Orders for fewer metalworking machines during the first six months of the year reflected the uncertainties of customers as a result of tax legislation then pending. The large cutting tool inventory build-up in 1966 and early 1967 both because of Vietnam and because of the fear of material scarcities had an unfavorable effect on cutting tool sales throughout 1968 as customers worked down excess inventories. Still, the combined 1968 sales of National Acme and Cleveland Twist Drill were at an all-time high. And, as outlined later, orders for machines picked up late in the year, and cutting tool inventory adjustments appear to be behind us.

DIVERSIFICATION

The combination of Cleveland Twist Drill and National Acme has provided an excellent sales balance resulting from consolidation of a major manufacturer of machines for automation and a leading producer of expendable tools. Much of National Acme's volume is from the sale of highly sophisticated production equipment. Though it represents a substantial capital expenditure on the part of customers, the investment is necessary to meet industry's needs for greater automation and increased productivity.

Cleveland Twist Drill's business is supplying expendable tools. National Acme has a substantial business in machine parts, electrical controls and threading tools. As a consequence, a significant portion of Acme-Cleveland's 1968 sales dollars was produced by nondeferrable purchases by our customers of cutting and threading tools (52.4%) and of parts and electrical controls (9.9%). The remaining 37.7 per cent came from sales of capital goods. We consider this a very favorable balance.

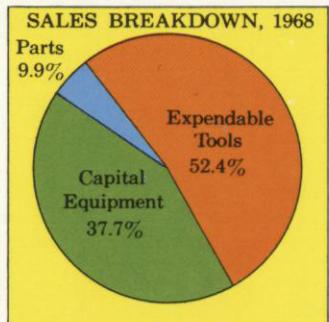
The new company has significant world-wide marketing. Both Cleveland Twist Drill and National Acme are represented by sales organizations in most of the free world's industrial countries, and the mix between international and domestic sales is becoming an increasingly important factor to the company. During 1968, \$12,247,403 of Acme-Cleveland's revenues were obtained outside the United States.

A major advantage of the merger is the cooperative efforts of people who have different technical skills. Both companies have placed great emphasis on technical leadership in the separate fields of the metalworking industry in which they have long been active. The combination can be expected to produce greater advances in both fields than either company could achieve alone. What we have is the technology of the machine builder and the technology of the tool manufacturer complementing each other.

The management, personnel, marketing and products of each organization will maintain their separate Cleveland Twist Drill or National Acme identities within the framework of Acme-Cleveland. In this manner we can take full advantage of the reputation each has developed over many years. There will be close cooperation. Joint research and development will receive high priority.

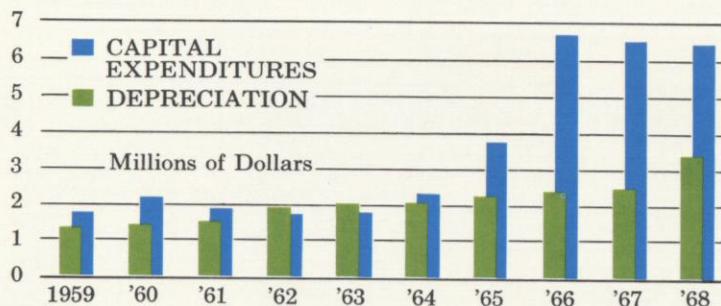
CAPITAL EXPENDITURES

Acme-Cleveland facilities are in excellent condition because of programs which have steadily improved and expanded them. Property, plant and equipment at 1968 year-end was on the books at \$55,607,057. A total of \$6,468,505 was expended during 1968 for capital improvements. Important items were major expenditures by both National Acme and Cleveland Twist Drill for new production equipment, the construction



by Cleveland Twist Drill Canada Ltd. of a new building for production, stockroom and general offices and also a Cleveland Twist Drill stockroom at Atlanta.

A total of \$5,170,000 in capital expenditures is programmed for 1969, principally for new production equipment and the completion of a stockroom-production facility in the Netherlands for Cleveland Twist Drill Nederland N.V.



In the past four years, 1965 through 1968, National Acme and Cleveland Twist Drill combined have expended \$23,439,000 for capital improvements including the construction of five Cleveland Twist Drill regional stockrooms in the United States, construction of a new production facility for Cleveland Twist Drill's Bay State Tap and Die Division, construction of the National Acme Technical Center and expansion of National Acme's main offices and the Jefferson, Ohio, plant.

FINANCIAL DATA/DIVIDENDS

Reflecting the substantial depreciation allowances from capital expenditures, the company's cash flow is sizeable. During 1968, cash flow (net profit and non-cash items, such as depreciation) amounted to \$12,234,121, equal to \$3.06 per share, an important factor in financing expansion plans. Acme-Cleveland earnings retained in the business at 1968 year-end amounted to \$59,404,176. Inventories at year-end totaled \$34,648,071, consistent with current backlog and essential for the volume of business we expect in the months ahead.

The combination of National Acme and Cleveland Twist Drill has resulted in an organization with great financial strength and borrowing power. At 1968 year-end total assets of Acme-Cleveland amounted to \$88,414,121; current assets to \$58,726,106; and working capital to \$35,113,821.

Shareholders' equity or book value totaled \$64,801,836, equal to \$16.91 per share on the 3,832,642 Acme-Cleveland shares outstanding at year-end. This compares with a total of \$66,403,215 or \$16.57 at the end of 1967. The net reduction in total equity is attributable in part to the \$5,806,375 expenditure to acquire the 103,300 National Acme shares (the equivalent of 206,600 Acme-Cleveland shares) of the two shareholders who dissented to the merger. The acquisition of these shares reduced the total number of shares outstanding by approximately five per cent.

Directors of Acme-Cleveland at their first meeting voted a 35 cents per share quarterly dividend and indicated their intent to pay like dividends in the future. The 35 cents per share quarterly dividend represents a

40 per cent increase over the previously paid quarterly dividend. Per share dividend payout in 1968, based on Acme-Cleveland shares amounted to \$1.25. Total dividend payout in 1968 was \$4,941,590.

THE OUTLOOK

Forecasting economic trends is hazardous at any time, but 1969 appears particularly difficult. The effect of the surtax on consumer spending and the inflation-curbing activities of the Federal Reserve Board would indicate a slow-down. The current general opinion is that the first half of 1969 will be a period of subdued growth, but that business should begin to improve after mid-year.

There are favorable indicators for Acme-Cleveland. The number of orders for machine tools increased in late 1968, and we look for this trend to continue into 1969. Current forecasts for the Electrical Controls and Foundry Equipment Divisions indicate good gains over last year. Expendable tool sales should improve in 1969. The effects of the strong inventory build-up for Vietnam and the corresponding inventory adjustment are now behind us.

On a longer-term basis, we look to continuing growth for the company both through internal expansion and by merging with companies which would further increase our capabilities and expand our markets and product lines logically.

There are still other trends which we believe will have a favorable effect on the company and its future. As industry's labor costs increase, the need for capital equipment that can cut costs, save man hours, and prevent costly down-time becomes correspondingly greater. This should stimulate our equipment sales. Furthermore, expensive machine tools require cutting tools of the highest quality.

As we approach the 1970's, the huge post-World War II crop of babies, now young-marrieds, will be moving into their own homes; and the demand for new automobiles, appliances and other manufactured products will increase dramatically. These industries are major users of our products.

Another very favorable influence is the increasing utilization of long-range planning by major corporations resulting in their purchasing equipment on a scheduled basis, regardless of short-term economic conditions.

But, the most important development affecting long-term growth was the merger of our separate management and technological resources, which will provide the stimuli for many long-term benefits.

To our shareholders we express our appreciation for their continuing loyalty and interest. We are equally grateful to our customers, to our suppliers and to our employees, whose many significant contributions have made 1968 a good year for the company. We look to the future with confidence.

Arthur S. Armstrong *Raymond E. Channock*

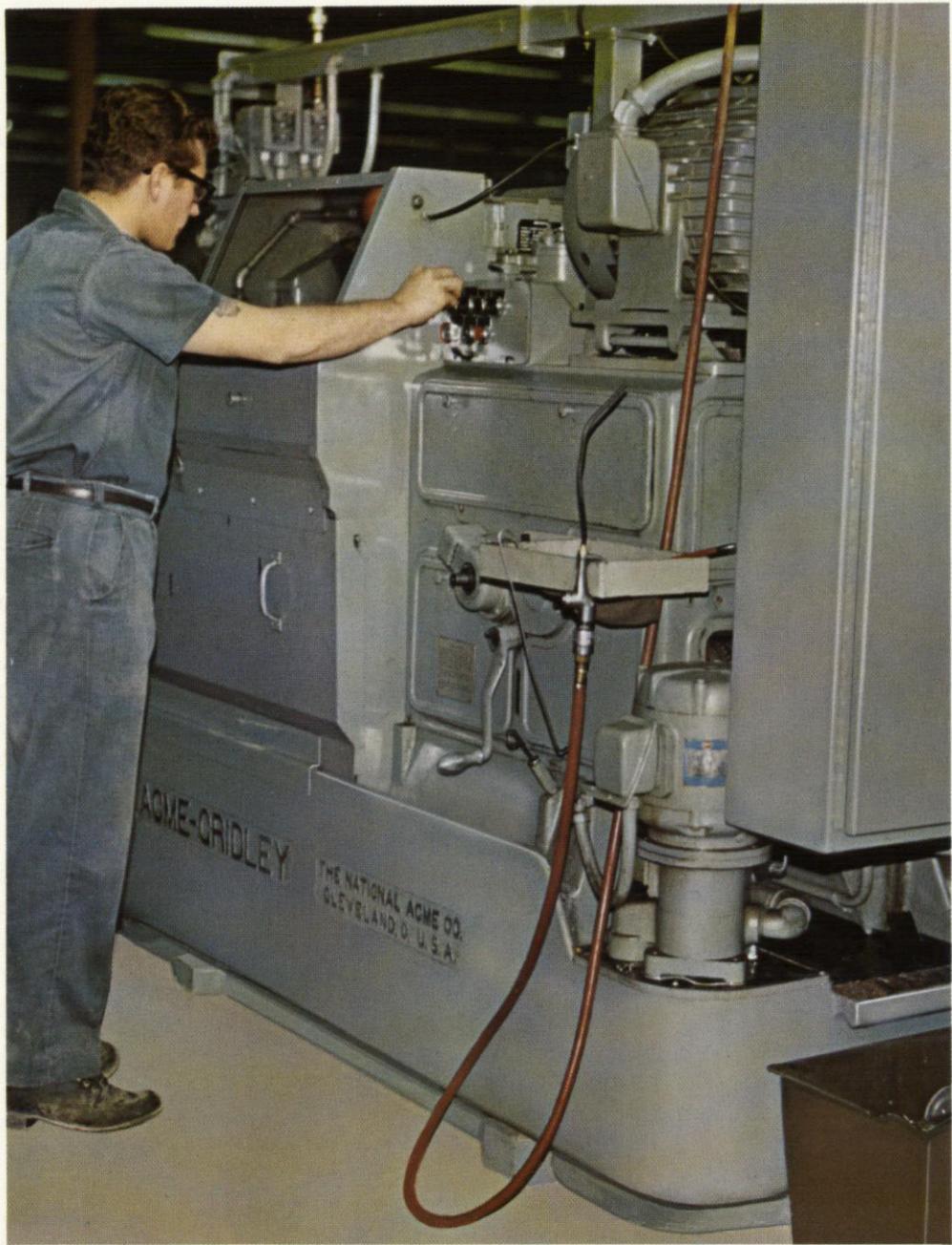
Arthur S. Armstrong

Chairman

February 21, 1969

Raymond E. Channock

President



Acme-Gridley automatic bar and chucking machines permit numerous machining steps to be accomplished automatically in sequence. Highly sophisticated machines with 2700 basic parts, they are designed for fast speeds, precision machining and long production runs.

ABOUT ACME-CLEVELAND

The many products of Acme-Cleveland are vital to an increasingly complex industrial society. Television sets, automobiles, spacecraft, and thousands of other manufactured products are possible only because of strides made in creative engineering, metallurgy, manufacturing techniques — and in tools and production machines. The companies which comprise Acme-Cleveland have made, and continue to make, important contributions in these fields.

AUTOMATION AND TECHNICAL LEADERSHIP

National Acme was a leader in automation a half century before the word was coined. It developed the first practical four-spindle bar automatic which permitted a series of machining steps to be accomplished in sequence. For the first time, it was unnecessary to move work from machine to machine for the various production steps. It continues as a leader in the manufacture of equipment for automation of production processes. National Acme is one of the world's major manufacturers of multiple-spindle automatic bar and chucking machines. It has pioneered many of the recent automation techniques for foundries. Its electrical controls are components for automated production systems.

Cleveland Twist Drill is a world leader in the manufacture of quality cutting tools. As with National Acme, its major customers are the automotive, aerospace, farm machinery, earth moving equipment and home appliance industries. But any manufacturing process where materials must be removed and precisely shaped, creates a demand for cutting tools — such as drills, reamers, end mills, taps, dies, tool bits and others such as those manufactured by Cleveland Twist Drill.

MARKETING

Technical knowledge plays an important part in Acme-Cleveland marketing. Because of the rapidly increasing sophistication in manufacturing procedures, suppliers of production tools and machines often must be able to provide not only the equipment but also technical assistance.

Today's manufacturing executive is more likely to think in terms of a production system than of tools or machines separately. He will rely on a company which is systems-oriented in its thinking, which has a broad range of products as well as the know-how to help him do the job.

He wants a quality product. The machines which drive the tools represent large capital investment.



Measuring thread form in quality inspection.



Production loading and inventories are related with third generation computers.

Production down-time to change tools which break or become dull after short periods of use is many times more costly than the most expensive drill, reamer or threading tool. With today's increasing rates of production, inferior tools can transform large quantities of expensive materials into scrap in minutes. The customer wants machines on his production lines and in his foundries which will assure him of automated, uniform, quality production of parts, cores and molds. Meeting these needs is the job of Acme-Cleveland.

Service representatives are key men in the extensive distribution system of Cleveland Twist Drill. They are highly trained cutting tool experts who serve as the link between the company and its industrial distributors throughout the country. Service representatives work from company branch stockrooms in New York, Atlanta, Cleveland, Detroit, Chicago, Dallas, Los Angeles and San Francisco. They assist in the training of the distributors' sales force and provide technical counsel to distributors and their customers.

Customers looking for production machines are more likely to ask for the means to make a part than to request a specific machine. National Acme sales representatives and engineers are called upon to develop the system to provide the answer. They not only suggest the machine, but design the tooling and put the equipment into operation, machining the required pieces under production conditions before delivering it.

RESEARCH AND DEVELOPMENT

Research and development have been important in the growth of both National Acme and Cleveland Twist Drill. National Acme's achievements in this area have included the development of improved machines, foundry equipment and threading tools. Cleveland Twist Drill has emphasized research in tool geometry, metallurgy, heat treating and wire drawing to provide the raw materials and techniques to produce the better tools demanded to work the improved metals and to accommodate the high-speed machines.

Current Cleveland Twist Drill emphasis is on the further development of tools tailored to the needs of numerical controlled production equipment and for the cutting of exotic metals, fields in which the company already has considerable experience. National Acme's current research and development relates to projects to expand its electrical controls line and further improve foundry and machine tool equipment.

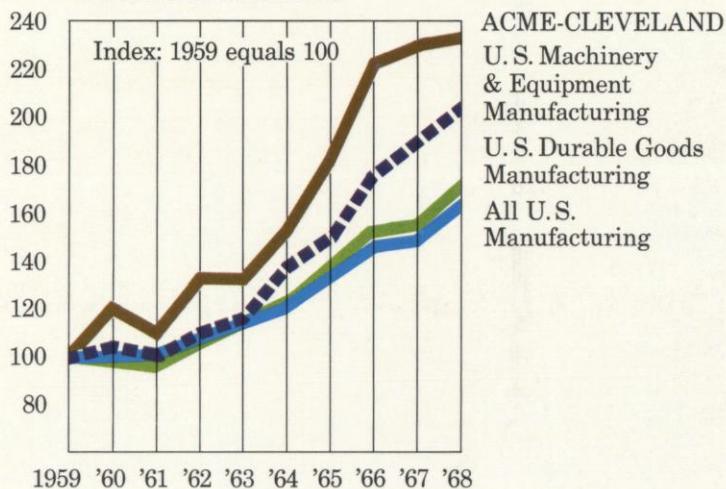
THE ACME-CLEVELAND RECORD

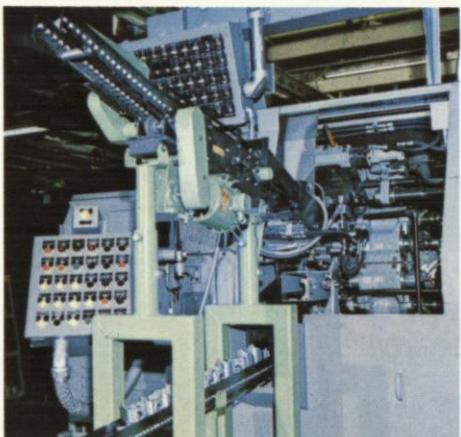
Combined sales of National Acme and Cleveland Twist Drill in the last five years have risen from \$62,447,516 in 1963 to \$109,390,676 in 1968, an increase of 75 per cent. After-tax return on sales has ranged from 7.2 to 10.1 in this period. The average annual growth rate for the past 10 years has been 10.7 per cent, and only once in the past decade has there been a significant decline in sales. That was in 1961 when sales volume was approximately eight per cent lower than in 1960, and when manufacturing activity generally was down.

Combined sales growth of National Acme and

Cleveland Twist Drill in the past 10 years has outdistanced the growth of over-all manufacturing in the United States. As the graph here illustrates, Acme-Cleveland sales have increased at a rate considerably greater than dollar shipments of all manufactured products, machinery and equipment products and durable goods.

ANNUAL SHIPMENTS

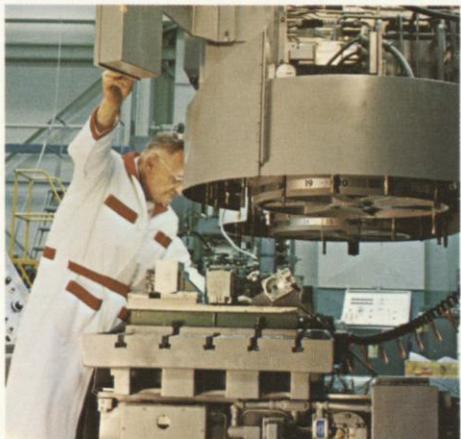




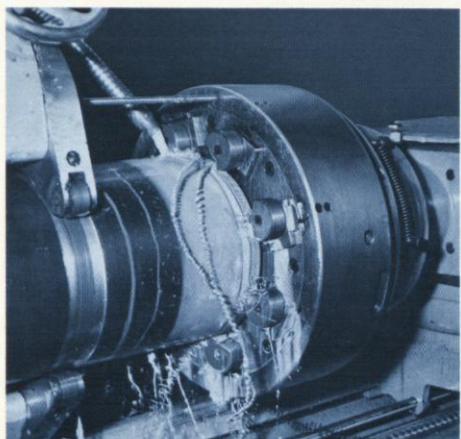
Raw parts are fed into Acme-Gridley, loaded and unloaded, all automatically.



End mills, a leading Cleveland Twist Drill product, cut slots, pockets and contours.



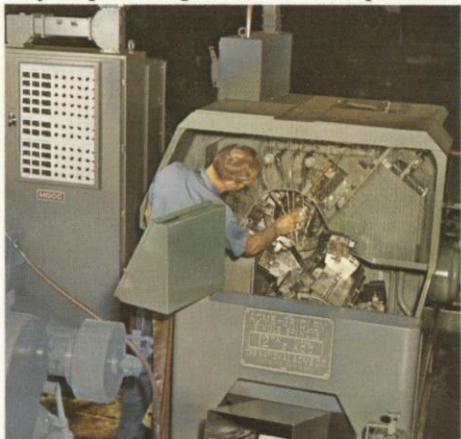
Cleveland Twist Drill reamers, drills and end mills in numerical control application.



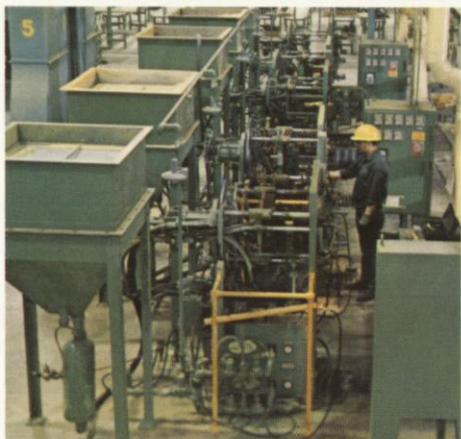
Tools which cut or roll-form internal or external threads are important products.



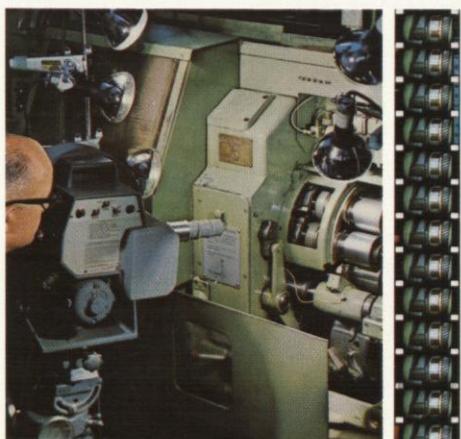
The company manufactures drills so small they require magnification to be pointed.



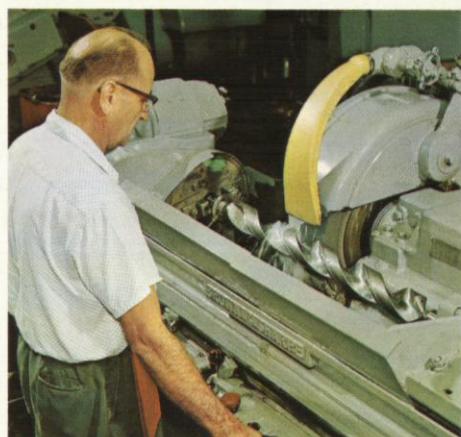
Numerically controlled Acme-Gridley is programmed for action by dial setting.



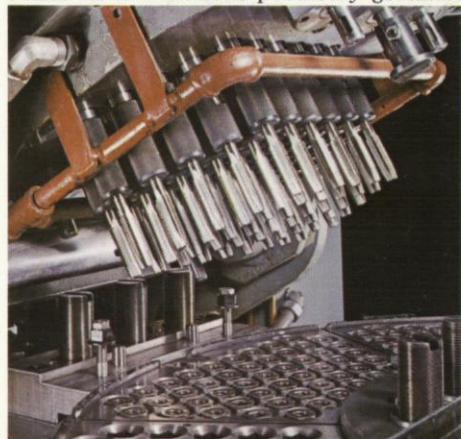
National Acme shell mold and core machines represent foundry automation.



High-speed motion picture camera is needed to study Acme-Gridley spindle action.



The outside diameter of a large threaded shank oil hole drill is precisely ground.



Nuts are threaded at the rate of 25,000 per hour by 49 of the company's Bay State taps.



Cutting tool service representatives bring in-the-field technical advice to customers.



Proximity switches and logic drivers are among many electrical control products.

CONSOLIDATED BALANCE SHEET

ACME-CLEVELAND CORPORATION AND SUBSIDIARIES

	December 31	
	1968	1967
ASSETS		(Note A)
CURRENT ASSETS		
Cash	\$ 3,806,324	\$ 4,157,440
Marketable securities	— 0 —	369,872
Trade accounts and notes receivable:		
Accounts	14,059,906	15,103,750
Notes and installment contracts including amounts due beyond one year (1968—\$3,159,336; 1967—\$3,142,938)	6,211,805	5,710,352
	<u>20,271,711</u>	<u>20,814,102</u>
Inventories — Note B:		
Work in process and finished products	28,904,432	29,677,424
Raw materials and supplies	5,743,639	6,186,954
	<u>34,648,071</u>	<u>35,864,378</u>
TOTAL CURRENT ASSETS	58,726,106	61,205,792
PROPERTY, PLANT, AND EQUIPMENT —		
on the basis of cost		
Land	2,166,270	1,619,433
Buildings	13,707,194	12,354,492
Machinery and equipment	39,733,593	36,588,857
	<u>55,607,057</u>	<u>50,562,782</u>
Less allowances for depreciation	29,720,166	27,563,674
	<u>25,886,891</u>	<u>22,999,108</u>
OTHER ASSETS		
Investment in and advances to foreign subsidiary —		
at cost — Note A	2,110,794	103,083
Miscellaneous	1,690,330	1,731,488
	<u>3,801,124</u>	<u>1,834,571</u>
	<u>\$88,414,121</u>	<u>\$86,039,471</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ACME-CLEVELAND CORPORATION AND SUBSIDIARIES

December 31, 1968

Effective October 25, 1968, under Amended Articles of Incorporation adopted by shareholders, The National Acme Company, among other things, changed its name to Acme-Cleveland Corporation, increased the authorized \$1.00 par value Capital Stock from 1,500,000 to 10,000,000 shares and split the outstanding shares two-for-one. In the financial statements and notes, the stock split has been treated as if effected at December 31, 1966.

NOTE A — PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Corporation and all of its wholly-owned subsidiaries. A majority-owned, Mexican company, which is not consolidated, is stated at cost, which approximates the Corporation's equity in net assets. The accounts of foreign subsidiaries have been translated at appropriate rates of exchange and the resulting gains or losses, including in 1967 an extraordinary loss due to devaluation of the British pound in November, 1967 are reflected in operations.

On October 25, 1968, as part of a shareholder approved Agreement and Plan of Reorganization, The Cleveland Twist Drill Company became a wholly-owned subsidiary of Acme-Cleveland for a consideration of 1,975,000 shares of Acme-Cleveland stock. The merger was accounted for as a pooling of interests. Because the fiscal year end of Cleveland Twist Drill differed from that of the Corporation, the accompanying financial statements for the years ended

December 31, 1968, and December 31, 1967, as restated, include the results of operations of Cleveland Twist Drill and its consolidated subsidiaries for the fiscal years ended December 31, 1968 and September 30, 1967 (their results of operations for three months ended December 31, 1967 were credited directly to retained earnings). Sales and net income of Cleveland Twist Drill and consolidated subsidiaries included in the statement of consolidated income were \$51,267,698 and \$4,439,083 in 1968 and \$50,467,154 and \$4,196,398 in 1967.

NOTE B — INVENTORIES

Inventories are priced at cost (principally last-in, first-out method of determination) not in excess of replacement market. Such valuations were less than replacement cost of the inventories by approximately \$6,624,000 at December 31, 1968 and \$5,561,000 at December 31, 1967.

NOTE C — STOCK OPTIONS

A stock option plan authorizes the issuance of Capital Stock to key employees at not less than the market price on dates of grant. The options become exercisable over a period of five years, beginning one year after date of grant. A summary of the changes in outstanding stock options and the number of shares reserved for future options is as follows:

	December 31	
	1968	1967
		(Note A)
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes payable to banks	\$10,624,646	\$ 6,950,000
Notes payable to employees	1,620,995	1,782,795
Accounts payable and accrued expenses	4,813,904	4,709,955
Salaries, wages, other compensation and payroll taxes	4,660,792	4,390,073
Federal income taxes	1,891,948	1,803,433
TOTAL CURRENT LIABILITIES	<u>23,612,285</u>	<u>19,636,256</u>
 SHAREHOLDERS' EQUITY		
Capital Stock, par value \$1 per share – Note C:		
Authorized – 10,000,000 shares		
Issued and outstanding – 3,832,642 shares		
(1967 – 4,006,384 shares) excluding in 1968		
shares held in treasury (206,600)	3,832,642	4,006,384
Other capital	1,565,018	2,913,209
Retained earnings	59,404,176	59,483,622
	<u>64,801,836</u>	<u>66,403,215</u>
	<u><u>\$88,414,121</u></u>	<u><u>\$86,039,471</u></u>

	<i>Options Outstanding</i>		<i>Shares Reserved For Future Options</i>
	<i>Total Option Price</i>	<i>Number Of Shares</i>	
Balance at January 1, 1968	\$ 718,873	35,456	26,160
Assumed in merger with Cleveland Twist Drill	349,250	25,000	
Granted	547,950	20,800	(20,800)
Exercised	(176,370)	(9,310)	
Canceled	(9,161)	(480)	480
Balance at December 31, 1968	<u><u>\$1,430,542</u></u>	<u><u>71,466</u></u>	<u><u>5,840</u></u>
Exercisable at December 31, 1968	<u><u>\$ 264,279</u></u>	<u><u>13,466</u></u>	

NOTE D – PENSIONS

The companies have several pension plans covering substantially all employees. The total pension expense for the year was \$1,433,046, which includes amortization of prior service cost. The companies' policy is to fund pension cost accrued. The actuarially computed value of vested benefits for the various plans as of their respective anniversary dates exceeded in the aggregate the pension funds by approximately \$2,453,000.

STATEMENT OF CONSOLIDATED INCOME

ACME-CLEVELAND CORPORATION AND SUBSIDIARIES

	Year Ended December 31	
	1968	1967
Net sales	\$109,390,676	\$108,470,330
Other income	1,466,054	1,260,945
	<u>110,856,730</u>	<u>109,731,275</u>
Costs and expenses:		
Cost of products sold	70,548,441	70,518,850
Selling, administrative and general expenses	18,837,644	18,659,133
Depreciation (computed principally on declining-balance method)	3,276,479	2,827,291
Interest	429,593	153,693
Other	134,749	267,833
Federal income taxes	8,779,382	8,002,167
	<u>102,006,288</u>	<u>100,428,967</u>
INCOME BEFORE EXTRAORDINARY ITEM	8,850,442	9,302,308
Loss from devaluation in Great Britain	— 0 —	304,345
	<u>NET INCOME</u>	<u>\$ 8,850,442</u>
Per share of Capital Stock:		
Income before extraordinary item	\$2.22	\$2.32
Extraordinary item	— 0 —	.07
Net Income	2.22	2.25

See notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

ACME-CLEVELAND CORPORATION AND SUBSIDIARIES

	Year Ended December 31	
	1968	1967
SOURCES:		(Note A)
Net income	\$ 8,850,442	\$ 8,997,963
Depreciation	3,276,479	2,827,291
Sales of Capital Stock under option plan	176,370	68,684
Net working capital of purchased company	269,497	— 0 —
Other — net	58,922	(365,246)
Decrease in net current assets	6,455,715	43,909
	<u>TOTALS</u>	<u>\$19,087,425</u>
APPLICATIONS:		<u>\$11,572,601</u>
Dividends paid	\$ 3,460,340	\$ 2,544,917
Net additions to property, plant, and equipment	6,091,604	7,363,723
Capital stock transactions prior to merger, and other adjustments in connection with pooled company	1,721,395	1,663,961
Cost of treasury shares reacquired from dissenters	5,806,375	— 0 —
Investment in foreign subsidiary	2,007,711	— 0 —
	<u>TOTALS</u>	<u>\$19,087,425</u>
		<u>\$11,572,601</u>

See notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY

ACME-CLEVELAND CORPORATION AND SUBSIDIARIES

	Capital Stock		Other Capital	Retained Earnings
	Shares	Amount		
Balance at January 1, 1967	2,033,300	\$2,033,300	\$1,893,484	\$31,104,170
Merger of The Cleveland Twist Drill Company on a pooling of interest basis — Note A	1,966,800	1,966,800	909,825	23,637,867
Balance at January 1, 1967, as restated	4,000,100	4,000,100	2,803,309	54,742,037
Net income for the year				8,997,963
Cash dividends — quarterly at \$.25 a share, and a \$.25 extra				(2,544,917)
Sale of Capital Stock under option plan	5,084	5,084	63,600	
Capital stock transactions prior to merger, and other adjustments in connection with pooled company — Note A	1,200	1,200	46,300	(1,711,461)
Balance at December 31, 1967	4,006,384	4,006,384	2,913,209	59,483,622
Net income for the year				8,850,442
Cash dividends — quarterly at \$.25 a share through third quarter and \$.35 thereafter, and a \$.15 extra				(3,460,340)
Sale of Capital Stock under option plan	9,310	9,310	167,060	
Purchase of a small business	16,548	16,548	343,371	
Capital stock transactions prior to merger, and other adjustments in connection with pooled company — Note A	7,000	7,000	(247,142)	(1,481,253)
Purchase of Capital Stock for treasury from shareholders who dissented to merger	(206,600)	(206,600)	(1,611,480)	(3,988,295)
Balance at December 31, 1968	<u>3,832,642</u>	<u>\$3,832,642</u>	<u>\$1,565,018</u>	<u>\$59,404,176</u>

See notes to consolidated financial statements.

AUDITORS' REPORT

Board of Directors
Acme-Cleveland Corporation
Cleveland, Ohio

We have examined the consolidated balance sheet of Acme-Cleveland Corporation (formerly The National Acme Company) and subsidiaries as of December 31, 1968, and the related statements of consolidated income, shareholders' equity and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination of the financial statements for the preceding year.

In our opinion, the accompanying statements identified above present fairly the consolidated financial position of Acme-Cleveland Corporation and subsidiaries at December 31, 1968, and the consolidated results of their operations, changes in shareholders' equity, and source and application of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Cleveland, Ohio
February 7, 1969

Einst & Einst

TEN-YEAR SUMMARY

ACME-CLEVELAND CORPORATION

SALES AND EARNINGS

	1968	1967	1966
Net Sales	\$109,390,676	\$108,470,330	\$106,046,914
Earnings Before Taxes	17,629,824	17,304,475	19,861,715
Federal Taxes on Income	8,779,382	8,002,167	9,177,619
Net Earnings	8,850,442	8,997,963	10,684,096
Net Earnings to Net Sales	8.1%	8.3%	10.1%
Earnings per Share	2.22	2.25	2.67
Dividends Paid — Acme-Cleveland	4,941,590	4,514,617	5,994,599

OTHER FINANCIAL INFORMATION

Current Assets	\$58,726,106	\$58,532,750	\$57,996,777
Current Liabilities	23,612,285	16,412,771	16,383,332
Working Capital	35,113,821	42,119,979	41,613,445
Shareholders' Equity (Net Worth)	64,801,836	66,403,215	61,545,446
Shareholders' Equity per Share	16.91	16.57	15.41
Property, Plant and Equipment — Net	25,886,891	22,999,108	18,462,677
Capital Additions	6,468,505	6,517,241	6,712,255
Depreciation	3,276,479	2,827,291	2,278,132

GENERAL INFORMATION

Average Number of Shares Outstanding	3,983,985	4,004,908	3,994,938
Number of Shareholders	6,883	6,979	6,697
Number of Employees — Year-End	5,414	5,383	5,121

All figures in this report are combined to reflect the pooling of interests merger of Cleveland Twist Drill and National Acme. 1968 and 1967 figures are for the 12 months ended December 31, except as described in Note A to the Consolidated Financial Statements.

Figures for 1966 and prior years are the result of combining the 12 months ended December 31, for National Acme with the 12 months ended September 30, for Cleveland Twist Drill.

BOARD OF DIRECTORS

Arthur S. Armstrong

Chairman and
Chief Executive Officer

Ralph M. Besse

Chairman of the Board
The Cleveland Electric
Illuminating Company

Raymond E. Channock

President
Acme-Cleveland Corp.

Charles W. Clark

Vice President
Acme-Cleveland Corp.

W. Paul Cooper

Vice President
Acme-Cleveland Corp.;
President
The Cleveland Twist Drill
Company

Robert C. Ochs

Vice President, Sales and
Engineering, Truck and
Off-Highway
Eaton, Yale & Towne Inc.

Jacob B. Perkins

President
Hill Acme Company

John S. Prescott

Senior Vice President
The Sherwin-Williams Co.

Karl H. Rudolph

President
The Cleveland Electric
Illuminating Company

Ralph S. Schmitt

Retired Vice President
The Cleveland Twist Drill
Company

Earl P. Schneider

Partner
Thompson, Hine and Flory,
Attorneys

John C. Stites

Vice President
Acme-Cleveland Corp.

T. Laurence Strimple

Retired Chairman
of the Board
The National Acme Co.

Arthur O. Willey

Director and
Retired Chairman
The Lubrizol Corporation

OFFICERS

Arthur S. Armstrong

Chairman and
Chief Executive Officer

Raymond E. Channock

President

W. Paul Cooper

Vice President

Fred M. Borwell

Vice President

George C. Brainard, Jr.

Vice President

Charles W. Clark

Vice President

John L. Molner

Vice President

Edward P. Ranney

Vice President

John C. Stites

Vice President

Thomas M. Skove

Treasurer and
Assistant Secretary

Robert W. Gillespie

Secretary and
Assistant Treasurer

1965	1964	1963	1962	1961	1960	1959
\$85,845,324	\$71,939,581	\$62,447,516	\$62,889,314	\$51,894,039	\$56,633,717	\$47,219,679
14,707,327	10,964,678	9,143,806	9,000,324	6,045,802	7,197,266	6,088,912
6,749,635	5,040,000	4,652,000	4,576,100	3,060,000	3,954,375	3,338,283
7,957,692	5,924,678	4,491,806	4,424,224	2,985,802	3,242,891	2,750,629
9.3%	8.2%	7.2%	7.0%	5.8%	5.7%	5.8%
2.01	1.51	1.15	1.13	.76	.83	.70
5,087,693	3,450,188	2,815,717	2,267,872	1,826,000	1,827,200	1,835,882
\$52,980,417	\$48,876,201	\$46,331,922	\$43,942,719	\$41,042,136	\$40,421,718	\$39,728,994
10,449,038	8,897,053	8,458,586	8,125,775	7,695,231	8,153,668	7,756,427
42,531,379	39,979,148	37,873,336	35,816,944	33,346,905	32,268,050	31,972,567
56,802,355	53,468,477	50,830,193	49,076,900	47,048,106	45,888,304	44,676,613
14.34	13.65	13.02	12.57	12.00	11.69	11.30
13,731,357	12,399,017	12,174,116	12,477,429	12,879,945	12,693,890	12,181,025
3,740,508	2,209,154	1,743,344	1,644,144	1,888,979	2,185,968	1,743,848
2,260,767	2,060,937	2,038,064	1,992,137	1,528,256	1,388,567	1,283,233
3,960,358	3,917,470	3,902,794	3,903,332	3,920,000	3,924,000	3,952,936
6,187	5,534	5,471	5,492	5,587	5,614	5,693
4,598	4,214	3,854	3,850	3,701	3,822	3,878

GENERAL COUNSEL

Thompson, Hine and Flory,
Cleveland

CO-REGISTRARS

Chemical Bank New York
Trust Company
The National City Bank
of Cleveland

CO-TRANSFER AGENTS

Bankers Trust Company
New York
The Cleveland Trust Company

AUDITORS

Ernst & Ernst, Cleveland



Cleveland Twist Drill is a major supplier of cutting tools in Europe. This 100,000-square-foot plant is in Scotland.



Headquarters of Cleveland Twist Drill Canada Ltd. at Toronto were completed in 1968. The 31,000-square-foot building includes offices, a stockroom and production facilities.

Acme-Cleveland Corporation

P. O. Box 5617 • Cleveland, Ohio 44101